



AUDITED ANNUAL FINANCIAL STATEMENTS

ÈNDONDAKUSUKA MUNICIPALITY

FOR THE YEAR ENDED

30 JUNE 2006

ÈNDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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**ÈNDONDAKUSUKA MUNICIPALITY
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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Mayor	: J.B. Nzuza	B.L. Magwaza
Deputy Mayor	: J Singh	J Singh
Speaker	: D M Shandu	Z P Makhoba
Chairman of the Executive Committee	: J.B. Nzuza	B L Magwaza
Members of the Executive Committee	: Councillor M.S. Mdunge	Councillor D M Shandu
	: Councillor N. Reddy	Councillor N Reddy
	: Councillor D.M. Shandu	Councillor B P Mgadi
	: Councillor Z.P. Makhoba	Councillor D M Maphumulo
Officials: Municipal Manager	: M.J. Mathenjwa	
: Chief Financial Officer	: M J Pearson (Mrs.)	:
: Director: Corporate Services and LED	: N.G. Kumalo	
: Director: Service Delivery	: M.B. Ngubane	

GRADING OF MUNICIPALITY

Low Capacity

NUMBER OF WARDS

16

BANKERS

First National Bank

AUDITORS

Auditor-General

REGISTERED OFFICE

2 Kingfisher Road
MANDINI
4490

PO BOX 144
MANDINI
4490

Telephone: (032) 456 8200

Fax: (032) 456 2504

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MUNICIPAL MANAGER

Mr. M.J. Mathenjwa

CHIEF FINANCIAL OFFICER

Mrs. M.J. Pearson

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements pages 5 to 39, for the year ended 30 June 2006, were approved by the Council on 07 September 2006.

MUNICIPAL MANAGER

MAYOR

**CHIEF FINANCIAL OFFICER
M.I.A.C. A.M.I.F.O.**

DATE:

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FOREWORD BY THE MAYOR

The èNdondakusuka Municipality financial year commenced the year with Councillor B Nzuza at the helm as Mayor. After the elections took place in March 2006, the former Mayor was appointed as the Speaker at the Ilembe District Municipality and Councillor B L Magwaza voted in as Mayor for the new five year term.

The tight budgetary and cash flow constraints have continued throughout 2005/2006, however, the municipality has managed to bring down the level of outstanding creditor payments. The Financial Recovery Steering Committee continued during the current year, to monitor the Municipality's finances. The committee is chaired by a representative from the KwaZulu Natal Provincial Department of Traditional and Local Government Affairs. Financial assistance was received from the Department of Traditional and Local Government to assist with financial management through the Municipal Assistance Programme (MAP). A further grant of R 500 000 was received during the year

Efforts continued during the year to recover outstanding debts. Through the Management Assistance Programme, a consultant was appointed to carry out a data cleansing programme, which is now almost complete. They have had the task of identifying all the indigent and unemployed within the community, as well as listing each owner or tenant on every property. Once the list of indigent has been confirmed then the municipality will be able to render free basic services to them. This programme will assist in looking at the outstanding debtors with a new view and open up a way forward to identify a different approach to debt collection in the area.

Overall the Municipality budgeted for income totaling R 47,675,629 and the actual income earned was R 46,506,169.

Overall the Municipality budgeted for expenditure totaling R47, 004,910, and the actual expenditure was R 49,815,220

The Free basic electricity project was extended by Eskom during the year to Highview Park and Tugela, to which the municipality contributed funds from the equitable share grant. A total of 735 households in the community are now benefiting from this grant. Most residents benefited from a rebate on Refuse Removal tariff during the year; however this grant caused a dramatic drop in payment levels for refuse removal and was reviewed for 2006/2007. All future rebates for Refuse Removal will only be for Indigent households.

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The Municipality was able to commence a number of capital projects for which specific grant funding was obtained. These projects included:

- Hlomendlini Bulk Services
- Hlomendlini Housing
- Mathonsi slums housing
- Land acquisition for Inyoni Slums Clearance

In addition to these projects shelters for buses and taxis were erected, street lights were erected in Nyoni and Sundumbili and three containers were purchased for use by the community as information centres.

The Department of Health advised the municipality that they were unable to fund more than one Clinic within a five mile radius so the Council has decided to continue with the Hlomendlini Clinic. The Department has offered approximately R 3 million for additions to this Clinic which will commence during the 2006/2007 financial year.

The management team and the staff are committed to service delivery in accordance with its mandate and ensuring that the tariff increases are fair and reasonable in spite of the many challenges which face the Municipality on an ongoing basis. In September 2005 a Chief Financial Officer was appointed on a three year contract. It is hoped that the appointment will ensure some stability within not only the Finance Department, but see an improvement in the financial management of the municipality.

In conclusion I would like to express my appreciation to the Speaker, the Deputy Mayor, Executive Committee, Councillors and the Management team and the staff for their support, co-operation and hard work.

Mayor B L Magwaza
Chairman of the Executive Committee

Date:

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REPORT OF THE AUDITOR-GENERAL

To be inserted.

èNDONDAKUSUKA MUNICIPALITY **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2006

The Annual Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice (1997) and the Report on the Standardisation of Financial Statements of Local Authorities (Second Edition), as amended.

It is with pleasure that my report on the finances of the èNdondakusuka Municipality for the year ended 30 June 2006 is submitted. The financial statements are appended.

As municipalities are a third tier of government and therefore closest to the communities, they are looked upon as the source of job creation, providers of housing, and services such as health, education, sport and recreation, arts and culture as well as security. This places severe strain on a limited budget to provide services to the people to ensure their social and economic well being is sustained.

However the municipality continues to be faced with the challenge of the non recovery of debts raised for rates and services rendered. A plan is presently being formulated to address this difficult problem.

1. OPERATING RESULTS

The details of the operating results per department and classification of income and expenditure are included in Appendices D and E.

The overall operating results for the year ended 30 June 2006 are as follows:

Overall operating results

INCOME	Actual 2005	Actual 2006	Variance - Actual 2005/2006	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	44,231,558	46,506,169	5	47,675,629	(2)
Expenditure	(39,846,367)	(49,815,220)	25	(47,004,910)	(6)
Surplus	4,385,191	(3,309,050)	(175)	670,719	(593)
Appropriations	120,199	5,081,492	4128	0	0
Opening Surplus	3,870,398	8,375,788	54	0	0
Closing Surplus	8,375,788	10,148,230	21	670,719	0

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Overall the municipality has a surplus of R 10, 148,230 which has mainly been attributable to control over expenditure and certain capital projects not being carried out during the year. Unfortunately, whilst there is a surplus it is not cash backed as the amount is part of the arrear debtors.

Rate & General Services operating results

INCOME	Actual 2005	Actual 2006	Variance - Actual 2005/2006	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	38,388,338	40,626,214	6	41,958,729	(3)
Expenditure	36,169,022	45,232,002	29	40,563,160	(12)
Surplus/(Deficit)	3,219,316	(4,605,788)	(243)	1,395,569	(430)
Surplus as a % of income	8	(11)	0	3	0

A deficit has occurred in Rates and General Services due to the additional provision of R 7,746,080.21 for bad debts and a provision for leave pay of R1,001,376.09. The increase in income is mainly due to an increase in the equitable share grant, rates income and grant funding which was received during the year, but was not included in the budget. There was a loss in the Solid Waste Department which is mainly due to the fact that there are two contracts for the removal and disposal of refuse, one of which unfortunately will be in place for a further two years. Unfortunately the tariff cannot at this stage be increased to a level which would render the service economic. The tariff structure is presently being reviewed in order to try and make this service break even. The prior year surplus together with the current surplus was utilised to create an additional provision for bad and doubtful debts.

Trading Services operating results

The only Trading Service is Electricity. The municipality only supplies electricity to the town area of Mandeni. The balance of the èNdondakusuka Municipal area is covered by Eskom. Eskom offers free basic electricity to consumers who qualify. At present there are 735 householders who are receiving free electricity. This is funded by part of the equitable share. A new tariff structure was approved by NERSA which is to be implemented in 2006/2007. Unfortunately due to delays on the part of NERSA, the proposed increase could not be implemented in the 2005/2006 financial year, therefore the projected income was not realised. Expenditure was then also kept to a minimum with the year end showing a small surplus.

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Electricity

ELECTRICITY	Actual 2005	Actual 2006	Variance - Actual 2005/2006	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income	5,843,220	5,449,991	(7)	5,716,900	5
Expenditure	4,677,345	4,575,986	(2)	6,441,750	(29)
Surplus/(Deficit)	1,165,875	874,006	(25)	(724,850)	(221)
Surplus as a % of income	20	16	0	(13)	0

The income has reduced by 7% over last year attributable to the fact that no increase in tariff was implemented during the year. A portion of the equitable share was transferred to the Electricity department to cover the cost of the free basic electricity. The expenditure is up by 2% over the previous year, mainly due to the cost of bulk electricity having been increased during the year. However, the expenditure is still well below the budgeted figure. Provision was made for the free basic electricity, but only 735 households received the benefit during the year.

2. HOUSING FUND

During the 2005/2006 financial year the municipality was informed that uMsekeli Municipal Support services would be closing. This then necessitated that the municipality take over the billing of the Highview Housing Project. Although the houses will not become part of the assets of the municipality, the value of the debtors has been brought to account until the Department of Housing finalises this project. The total value of debtors for this project is R 4,987,053, which pushes up the overall value of outstanding debtors. The balance of the funds relating to this project was handed over to the municipality and amounts to R 629, 423.

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INCOME	Actual 2005	Actual 2006	Variance - Actual 2005/2006	Budget	Variance Actual/ Budget
	R	R	%	R	%
Income		429,964	0	0	0
Expenditure		7232	0	0	0
Surplus		422,732			
Surplus as a % of income	0	98	0	0	0

3. CAPITAL EXPENDITURE & FINANCING

The Hlomendlini project continued during the year and the building of houses has now commenced. These projects are being funded by grant funding from the Department of Housing. The second phase of the upgrade of the Sundumbili Roads was completed during the year. This project was grant funded. Housing projects commenced during the year at Mathonsi, Macambini. Land is being purchased by the Department of Land Affairs for the clearing of the Nyoni slums area. Street lights were installed in certain areas of Sundumbili and in Nyoni. Bus and Taxi shelters were also constructed during the year. Three containers were purchased for use by the Community as Information Centres. Other capital purchases included office equipment, furniture and fittings and plant and equipment. During the year one of the electrical transformers was refurbished. Certain capital and other assets were auctioned during the year.

	Budget 2006	Actual 2006	Actual 2005
	R	R	R
Land	0	54,000	
Buildings	1,700,000	949,312	209,988
Infrastructure	5,783,200	130,900	0
Other Fixed Assets	2,338,800	381,269	627,483
	7,122,000	1,515,481	837,471

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The above assets were funded as follows:

	Budget 2006	Actual 2006	Actual 2005
	R	R	R
Operating account	918,000	876,254	130,173
Grants and subsidies	6,204,000	605,057	707,298
Insurance	0	26,969	0
Other	0	7200	0
	7,122,000	1,515,481	837,471

Refer to Appendix C for a further analysis of the fixed assets.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2006 was R 7 597 338 (2005: R 9,102,050) as set out in Note 3 to the financial statements. No new loans were taken out during the year and R 1 504 712 was repaid during the year. More information in respect of external loans and investments may be found in Notes 3 and 6 and Appendix B.

Investments and cash on hand as at 30 June 2006 was R 2,803,440 (2005: R 2,423,494)

4. STATUTORY FUNDS AND TRUST FUNDS

Included in the trust funds is an amount of R 2, 687,738 which relates to unspent monies on funding/grants that have been received for specific purposes. These funds will be utilised in the 2006/2007 financial year.

More information regarding statutory funds and trust funds are disclosed in Notes 1, 25, 26 and 27 and Appendix A to the financial statements.

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5. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

6. APPRECIATION

I would like to record my grateful thanks for the co-operation and support received from the Mayor, Executive Committee and the Council and during the year under review. Thanks are also extended to the Municipal Manager, Directors, Managers especially the Finance Manager and the staff for their support and all assistance they have given during the year.

M J Pearson M I A C, A M I F O
Chief Financial Officer
Date: 31 August 2006

ÈNDONDAKUSUKA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

ACCOUNTING POLICIES

1. Basis of Presentation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition, January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 3. The accounting policies are consistent with those of the previous year except where otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- Income is accrued when measurable and collectable to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include the Rate and General Services, Trading Services, Housing and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal and monthly electricity charges which are treated as income and expenditure in the respective departments.

3. Fixed Assets

- 3.1 Fixed Assets are stated:
- at historical cost, or
 - at valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation
- whilst they are in existence or fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

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3.2. Depreciation

The balance shown against the heading “Loans Redeemed and Other Capital Receipts” in the notes to the balance sheet is tantamount to a provision for depreciation, however certain structural differences do exist, By the way of this “Provision” assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make a further provision for depreciation.
- Grants or donations, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and Other Capital Receipts” account

3.3. All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. All net proceeds from the sale of moveable assets are credited to the Capital Development Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. The loans redeemed and other capital receipts account is credited as the loans are repaid. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3.5. Other

Fixed assets are disclosed on the Balance Sheet as the net of the original cost less the loans redeemed and other capital receipts.

4. Inventory

Inventory is valued at the lower of cost, determined on the average cost and net realizable value.

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5. Funds and Reserves

5.1 Capital Development Fund

The Local Authorities Ordinance No. 25 of 1974 requires a minimum contribution of 3 percent of the defined income of a local authority. The Fund is used to finance capital expenditure, and the surplus funds are invested.

5.2 Loan Redemption Fund

The redemption of loans in Rates and General Services is provided for by annual repayment of advances made to the borrowing accounts calculated on the estimated life of assets acquired but subject to a limitation of a maximum of 30 years on the life of any individual asset. Internal loans are repaid in relation to the life of an asset. Redemption on State and Development Bank of South Africa loans is payable half yearly on an annual basis.

5.3 Public Improvement Fund

The fund is divided into 2 parts:

- The general section which receives funds from cash and land endowments and various other sources
- The development section through which the development of the Eastern Expansion Area of Mandini has been operated.

Acquisition of land

The valuation of land in Extension 7 is reflected at cost, and the net income of land sales is reflected separately.

Valuation of Services in Eastern Expansion Area

The services acquired by the Rates and General Services Fund and Trading Services as a result of the Development in the Eastern Expansion Area have been brought to account at a valuation which has been set at the cost of development of these services.

Land Sales

The income on land sales is credited to the Fund. Where the sale is not paid in full an agreement of sale is entered into whereby the purchaser pays a deposit and the balance is paid in instalments. The transfer of the property is only effected when the full amount is paid. All property sold and transferred is transferred to Deferred Charges, until the loan is paid.

5.4 Reserves

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All unspent funds received in the form of grants and subsidies are retained in the balance sheet as a reserve. The funds are accounted for in the income statement as income and expenditure in the year that the monies are spent.

6. Provisions

6.1 Leave Pay

Provision has been made for the outstanding leave obligation as at 30 June 2006. The basis of calculation of the leave pay is the number of leave days per employee as at 30 June 2006 multiplied by the daily rate per employee. The calculation of the daily rate is the annual salary per employee divided by 250 days.

6.2 Bad Debts

Provision has been made for bad debts which are deemed to be unrecoverable and have been outstanding for 150 days or longer. The provision is based on 50% of all debts outstanding for 150 days and longer and 25% of the balance of outstanding.

7. Retirement Benefits

The èNdondakusuka Municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation), the Natal Joint Municipal Pension Fund (Retirement) or the Natal Joint Municipal Pension Fund (Provident) which provides retirement benefits for such employees. The municipality's current contributions are charged against operating income.

The Councillor's contribute to the Councillor's Pension Fund and is voluntary, not mandatory. This fund provides retirement benefits for the Councillors.

8. Surpluses and Deficits

The surpluses or deficits arising from the operation of the Electricity Service are retained in that fund unless otherwise resolved by Council.

9. Treatment of Administration and Other Overhead Expenses

The estimated costs of internal support services are transferred to the different departments. The internal support services are calculated at approximately 2% of expenditure, spread across the various departments with differing percentage charges per department.

10. Investments

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Investments are shown at cost and are in securities prescribed in Section 125 of Ordinance 25 of 1974. They are considered to be risk-free.

11. Income Recognition

11.1 Assessment Rates

Assessment rates are levied on land and buildings and are billed both annually and monthly.

11.2. Electricity is charged based on monthly consumption. Refuse Removal is charged based on a monthly tariff as per the Tariff of Charges. Other income such as Grass cutting, Business refuse, Robot repairs is billed each month based on consumption.

12. Leased Assets

Fixed assets held under finance leases are capitalized. Such assets are effectively amortized over the term of the lease agreement. Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged against the operating income on a monthly basis.

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

BALANCE SHEET AT 30 JUNE 2006

		2006	2005
	NOTE	R	R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
Statutory Funds	1	16,485,965	14,856,806
(ACCUMULATED DEFICIT)/RETAINED INCOME	16	<u>10,242,767</u>	<u>8,375,788</u>
		26,728,732	23,232,594
TRUST FUNDS			
Grants and subsidies	2	2,687,738	2,922,895
Flood Relief Fund		2,159	2,159
LONG TERM LIABILITIES	3	6,050,620	6,347,253
CONSUMER DEPOSITS	4	851,137	786,215
		<u>36,320,386</u>	<u>33,291,116</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	10,335,237	11,930,610
INVESTMENTS	6	1,489,260	1,487,577
LONG TERM DEBTORS	7	<u>212,832</u>	<u>168,595</u>
		12,037,329	13,586,782
NET CURRENT ASSETS		24,283,056	13,384,159
CURRENT ASSETS		<u>33,002,695</u>	<u>22,081,152</u>
Inventory	8	135,039	173,612
Debtors	9	31,524,476	20,243,316
Short term portion of long term debtors	7	29,000	61,505
Cash	22	1,314,180	1,602,719
CURRENT LIABILITIES		<u>8,719,639</u>	<u>8,696,993</u>
Provisions	10	1,259,881	646,744
Creditors	11	5,913,040	6,545,453
Short term portion of long term liabilities	3	1,546,718	1,504,797
		<u>36,320,386</u>	<u>26,970,941</u>

0

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2008		
Actual Income	Actual Expenditure	Surplus/ (Deficit)

R R R

38,388,338 38,169,022 3,219,316

32,714,686	24,893,422	7,821,264
1,051,634	2,761,949	(1,710,315)
4,622,018	7,513,652	(2,891,634)

0 0 0

0 0 0

5,843,220 4,677,348 1,165,872

5,843,220 4,677,348 1,165,872

44,231,868 39,846,367 4,385,501

120,199

4,906,390

3,870,398

8,376,788

RATE AND GENERAL SERVICES

Community services
 Subsidised Services
 Economic Services

HOUSING

Housing

TRADING SERVICES

Electricity

TOTAL

Appropriations for the year

Net surplus/ (deficit) for the year

Accumulated surplus (deficit) beginning of the year

Accumulated surplus/(deficit) end of the year

2008			
Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)

R R R R

40,382,274 36,803,876 3,588,399 1,395,568

34,928,648	27,857,988	7,088,661	8,112,619
879,821	2,427,542	(1,547,921)	(1,835,010)
4,556,005	6,518,346	(1,962,341)	(2,882,040)

429,984 7,232 422,732 0

429,984 7,232 422,732 0

5,448,981 4,788,330 651,651 (724,850)

5,448,981 4,788,330 651,651 (724,850)

48,242,228 41,808,438 6,433,792 870,718

16 (2,785,813)

1,906,979

18 8,375,788

16 10,242,767

(Refer to appendix D and E for more details)

6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

		2006	2005
	NOTE	R	R
CASH RETAINED FROM OPERATING ACTIVITIES		2,603,378	4,222,271
Cash generated by operations	17	7,769,390	12,822,228
Investment income		589,053	526,847
(Increase) / decrease in working capital	18	(11,821,810)	(8,261,938)
		(3,463,368)	5,087,136
Less : External interest paid		(1,398,079)	(1,852,318)
Cash available from operations		(4,861,447)	3,434,819
Cash contributions from the public and State		7,079,208	787,452
Net proceeds on disposal of fixed assets		365,617	0
CASH UTILISED IN INVESTING ACTIVITIES		(1,517,166)	(476,431)
Investment in fixed assets		(1,515,481)	(837,471)
Increase in Investments		(1,684)	361,040
NET CASH FLOW FROM OPERATING & INVESTING ACTIVITIES		<u>1,086,214</u>	<u>3,745,840</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/ (Decrease) in long-term loans (external)	19	(1,504,712)	(1,720,039)
Increase/ (Decrease) in short term portion of long-term loans (external)	20	41,921	(1,720,039)
(Increase)/Decrease in cash investments	21	(1,684)	361,040
(Increase)/ Decrease in cash	22	378,262	(666,803)
NET CASH GENERATED		<u>(1,086,213)</u>	<u>(3,745,840)</u>

0

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
1 STATUTORY FUNDS		
Consolidated Capital Development Fund	4,251,408	3,835,894
Loan Redemption Fund	110,388	110,181
Public Improvement Fund	11,494,748	10,910,931
Housing Fund	629,423	0
	16,485,965	14,856,806

(Refer to Appendix A for more detail)

2 TRUST FUNDS

Grants and subsidies

Provincial grant - Development Planning/Capacity Building	424,686	399,000
Provincial grant - Municipal Assistance Programme	494,009	411,888
Provincial grant - Interdepartmental Monitoring	60,000	60,000
Provincial grant - Property Rates	144,000	0
Provincial grant - MFMA	100,000	0
CDW grant	53,170	0
Seta Grant	4,867	131,676
Local Economic Development grant	(0)	16,886
Transitional grant	(0)	3,973
Web Site Grant	40,000	
National grant - Finance Management grant	385,173	690,613
Municipal Systems Infrastructure grant	22,334	243,770
Agricultural grant	67,466	133,324
Provincial grant - Geographical Information Systems	164,245	180,774
Provincial grant - Library	(0)	2,300
National grant - Land Use Management System	145,749	220,200
Indigent Support	0	38,691
Municipal Infrastructure Grant (MIG)- Ilembe	382,039	390,000
Housing Grant	200,000	

2,687,738	2,922,898
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(Refer to Appendix A for more detail)

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
3 LONG TERM LIABILITIES		
Annuity loans	1,897,338	2,152,050
Fixed period loans	5,700,000	5,700,000
	7,597,338	7,852,050
Less: Current portion transferred to short term liabilities	1,546,718	1,504,797
Annuity loans	<u>1,546,718</u>	<u>1,504,797</u>
	<u>6,050,620</u>	<u>6,347,253</u>

(Refer to Appendix B for more detail on long term liabilities)

ANNUITY LOANS

These were advanced by the Development Bank of South Africa for electrical reticulation in Mandeni. They bear interest at 15.82 % p.a. and will be fully repaid by June 2013.

Loan of R 5 000 000 from Umsekele attracts interest at 12 % p.a. and is repayable in equal bi-annual instalments. The final instalment is due on 30/09/2006.

FIXED PERIOD LOANS

These loans were advanced for the construction of staff houses, office extensions and roadworks. They bear interest at rates ranging from 10.05 % and 13.25 % and are fully redeemable by 25 March 2009.

The loan of R 5 700 000 was raised from INCA at an interest rate of 17.5 % and is repayable on 25 March 2009. A cession of a zero coupon bond investment having a value on maturity equal to the loan value raised with Investec Bank. A cession and pledge of claims and rights against income streams earned from Sappi Kraft Ltd and Ithala Bank Ltd has been granted to INCA. Security for the loan has been issued by Investec Bank Ltd in the form of a Zero Coupon Bond with a guaranteed maturity value equal to the loan value and has been ceded to INCA.

The market value of the zero coupon bond at 30 June 2005 was R 3 316 880 (2004 : R 2 866 668).

4 CONSUMER DEPOSITS

Electricity	851,137	786,215
	<u>851,137</u>	<u>786,215</u>

5 FIXED ASSETS

Fixed assets at the beginning of the year	37,738,493	36,901,019
Capital outlay during the year	1,515,461	837,471
Less: assets written off, transferred or disposed of during the year	(1,358,121)	0
Total fixed assets	37,895,833	37,738,493
Less: loans redeemed and other capital receipts	(27,560,616)	(25,807,883)
Net fixed assets	<u>10,335,237</u>	<u>11,930,610</u>

(Refer to Appendix C for more detail on fixed assets)

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2006
	R	R
6 INVESTMENTS		
Unlisted:		
Long term deposits	1,489,260	1,487,577
Total investments	1,489,260	1,487,577
Management's valuation of unlisted investments	3,381,660	3,381,660

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a premium rate to meet commitments.

At 30 June 2005 Council had an investment of R 537 873 (2004 : R 552 787) in an institution that was placed under curatorship on 31 January 1999. This investment has been written off as a bad debt. Now shown as a Contingent Liability.

An investment of R 1 422 797 was made with Investec Bank Ltd who has guaranteed a maturity value in 25 March 2009 of R 5 700 000 and have issued a promisory note in favour of INCA to secure this loan. The value of this investment at 30 June 2005 is R 3 316 880 (2004 : R 2 868 668) The investment is long term, unlisted and has been ceded to INCA. The loan is owing to INCA.(Refer to Annexure B)

Council has two investments with Standard Bank to the value of R20 535 and two investments with Mercantile Bank to the value of R44 924.

7 LONG TERM DEBTORS

Miscellaneous loans	241,832	230,100
Less: Short term portion	(29,000)	(61,505)
	212,832	168,595

8 INVENTORY

Consumable stores, raw materials, work in progress and finished goods	135,039	173,612
Less provision for obsolete inventory	0	0
	135,039	173,612

9 DEBTORS

Consumer debtors	45,052,705	29,942,899
Less provision for doubtful debts	(20,732,064)	(12,795,894)
Net trade debtors	24,320,641	17,147,005
Housing Debtors	4,987,023	0
Miscellaneous debtors	2,123,855	3,029,612
Staff debtors	92,957	56,400
Amounts paid in advance	0	10,299
	31,524,478	20,243,316
Debtors written off during the year	Nil	Nil
% of debtors to total operating income	97%	68%
Average collection days		707

10 PROVISIONS

Leave pay	1,259,881	646,744
	1,259,881	646,744

(Refer to Appendix A for more detail)

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
11 CREDITORS		
Trade creditors	3,080,212	4,662,525
VAT	1,335,956	1,831,873
Vat refundable for June	0	(213,441)
Deposits - Other	654,539	150,583
Other	842,333	113,913
	<u>5,913,040</u>	<u>6,546,463</u>

12 ASSESSMENT RATES

Rateable site valuation at 01 July 2004		
eNdongakusuka		
Rateable	67,898,900	66,823,300
Non - rateable	6,047,900	6,589,900
	<u>73,946,800</u>	<u>73,413,200</u>
Total site valuation at 01 July 2004		
Basic rate	c/R	c/R
eNdongakusuka		
Land	20.24	19.00
Rates income		
General	<u>13,157,081</u>	<u>10,951,935</u>

A revaluation of all properties in the Mandeni area was undertaken and a common valuation roll produced for the whole area. These valuations applied to rates raised as from 1 July 1997. The fixed date for valuations is 1 March 1997.

Areas in Mandeni that were not previously rated, except for the Sundumbili area, became rateable on 5 December 1996. A 50% rebate was granted for the first year of assessment. This rebate was being phased out at 10% per year until such time as the areas become fully rateable in the 2003/2004 financial year.

Valuations of land and buildings in respect of the Tugela Mouth area are performed every five years. The last general valuation came into effect on 1 April 1998.

The valuation for the 2004/2005 financial year was performed on 01 July 2004.

Rebates were granted for those who qualify in respect of:

Agriculture	50%	50%
Pensioners	20%	20%
Rural residential	50%	50%
Large properties	50%	50%
Residential	5%	5%
Special early settlement - residential	10%	10%
Special early settlement - other	5%	5%
Areas not previously rated - Sundumbili	10%	10%

13 COUNCILLORS' REMUNERATION

Councillor's allowances	1,491,530	1,100,058
Executive committee allowances	383,537	420,350
Executive committee chairperson's allowance	0	0
Mayor's allowance	130,031	106,565
Speaker / other allowances	162,854	182,421
Deputy Mayor	100,952	
Other Allowances (travel,housing and cellphone)	685,417	
	<u>2,167,951</u>	<u>1,809,394</u>

In-kind benefits

The Speaker is the only councillor who is full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor and Speaker have use of a Council owned vehicle for official duties.

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
14 AUDITOR'S REMUNERATION		
Audit fee	539,551	423,059
	<u>539,551</u>	<u>423,059</u>
15 FINANCE TRANSACTIONS		
Total external interest earned	<u>589,053</u>	<u>528,847</u>
Total external interest paid	<u>1,398,079</u>	<u>1,852,318</u>
Capital charges debited to operating account:		
Interest : External	1,398,079	1,852,318
Interest : Internal	65,719	608,270
Redemption : External	1,504,712	1,720,039
Redemption : Internal	144,661	184,171
	<u>3,113,171</u>	<u>4,162,796</u>
16 APPROPRIATIONS		
Appropriation account		
Retained Income/(Accumulated deficit) at the beginning of the year	8,375,788	3,870,398
Operating surplus / (deficit) for the year	4,632,792	4,385,191
Appropriations for the year	(2,765,813)	120,199
Prior year adjustments	(7,254,815)	
- other (debtors adjustments, creditor payments)	<u>4,489,002</u>	<u>120,199</u>
Retained Income/(Accumulated deficit) at the end of the year	<u>10,242,767</u>	<u>8,376,788</u>
A detailed list of prior year adjustments is included in the working papers		
Operating account		
Capital expenditure	874,138	150,876
Contributions to Capital Development Fund		740,952
Contributions to provisions :	1,001,376	385,596
Bad debts	0	0
Inventory	0	0
Leave pay	<u>1,001,376</u>	<u>385,596</u>
	<u>1,875,514</u>	<u>1,277,224</u>

**6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
17 CASH GENERATED BY OPERATIONS		
Operating surplus for the year	4,632,792	4,385,191
Adjustments in respect of:		
Previous years' operating transactions	(2,765,813)	120,199
Appropriations charged against income	1,875,514	1,277,224
Capital Development Fund	0	740,952
Contributions to provisions	1,001,376	385,596
Contributions to fixed assets	874,138	150,676
Capital charges:	3,113,171	4,162,797
Interest paid:		
- to internal fund	65,719	606,270
- on external loans	1,398,079	1,652,318
- on LRF		
Redemption:		
- of internal advances	144,661	184,171
- of external loans	1,504,712	1,720,039
Investment income (operating account)	(589,053)	(526,847)
Net income from land sales		0
Non-operating expenditure:		
Expenditure charged against	1,502,779	0
- Current Expenditure on grants	1,502,779	0
- Trusts		
	7,769,380	8,418,564
18 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase)/decrease in inventory	38,573	0
(Increase)/decrease in debtors	(11,281,159)	20,243,316
(Increase)/decrease in short term portion of debtors	32,505	0
(Increase)/decrease in long term debtors	(44,237)	0
Increase/(decrease) in creditors	(632,413)	(6,545,453)
Increase/(decrease) in consumer deposits	64,922	0
	(11,821,810)	13,697,863
19 INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	(1,504,712)	(1,250,000)
	(1,504,712)	(1,250,000)
20 INCREASE / (DECREASE) IN SHORT TERM PORTION OF LONG TERM LOANS (EXTERNAL)		
Loans raised	(41,921)	(1,720,039)
Loans repaid	(41,921)	(1,720,039)
	(83,842)	(3,440,078)
21 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	(1,684)	361,040
	(1,684)	361,040

**ENDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
22 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance : beginning of year	(935,918)	(1,602,719)
Less Cash balance : end of year	(1,314,180)	(935,918)
	<u>(378,262)</u>	<u>(668,801)</u>
The municipality has the following bank accounts:		
First National Bank - Mandeni branch Account Number: 52940480587		
Cash book balance at beginning of year	932,187	1,596,830
Cash book balance at end of year	1,310,460	932,187
Bank Statement Balance at beginning of year	396,469	236,732
Bank Statement Balance at end of year	858,743	396,469
Savings Accounts		
First National Bank - Mandeni branch Account Number: 62028673219	1,170,797	667,693
Account Number: 61294217372	795,778	92,768

23 RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provide retirement benefits to such employees:

- i) Natal Joint Municipal Pension Fund (retirement)
- ii) Natal Joint Municipal Pension Fund (superannuation)
- iii) Natal Joint Municipal Pension Fund (provident)

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. The latest independent valuation, undertaken on 31 March 2001, indicated a surplus of R 4,7 million in respect of the Superannuation Fund and a deficit of R 169,2 million in respect of the Retirement Fund. The fund has decided that no further surcharge is required from 1 July 2001.

The Provident Fund was in a sound financial position whereby its assets met liabilities.

As the final retirement benefits payable to members are determined solely by the contributions paid to the fund, together with investment earnings thereon, the Municipality has no unfunded liabilities.

24 EMPLOYEE RELATED COSTS

Remuneration to Municipal Manager

Annual remuneration	361,023	372,120
Performance Bonuses	95,000	0
Car Allowance	96,473	91,880
Housing allowance	37,800	36,000
Contributions to Pension, Medical Aid, UIF	54,940	1,125
Total	<u>645,836</u>	<u>501,125</u>

Remuneration to Chief Financial Officer

Annual remuneration	216,050	144,215
Performance Bonuses	0	0
Car Allowance	140,530	50,421
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	0	43,098
Total	<u>356,580</u>	<u>237,734</u>

ENDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
Remuneration of Individual Directors		
30 June 2006		
Corporate Services		
Annual remuneration	267,908	286,060
Performance Bonuses	26,000	0
Car Allowance	138,386	113,940
Housing allowance	0	0
Contributions to Pension, Medical Aid, UIF	22,050	1,125
Total	454,345	401,125

Community Services		
Annual remuneration	263,087	291,420
Performance Bonuses	30,000	0
Car Allowance	101,870	81,924
Housing allowance	28,850	26,656
Contributions to Pension, Medical Aid, UIF	33,080	1,125
Total	456,887	401,125

25 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:
Approved but not yet contracted for

0	1,700,000
<u>0</u>	<u>1,700,000</u>

This expenditure will be financed from:

Internal sources	0	0
External sources	0	1,700,000
- Provincial government	<u>0</u>	<u>1,700,000</u>
- Other	<u>0</u>	<u>0</u>
	<u>0</u>	<u>1,700,000</u>

26 CONTINGENT LIABILITIES

Claim against Brighton Drakewoods & Associates

<u>86,466</u>	<u>86,466</u>
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Recovery of monies owed to municipality i.t.o. agreement to collect outstanding debts on behalf of municipality. Monies not handed over by debt collection agency

27 CONTINGENT ASSETS

New Republic Bank Investment - written off

<u>537,873</u>	<u>537,873</u>
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28 CAPITAL DEVELOPMENT FUND

Outstanding advances to borrowing services :

Accumulated fund	4,251,408	3,835,694
Temporary borrowings	(893,729)	(1,855,289)

(Refer to appendices A and B for more detail)

<u>3,357,679</u>	<u>1,980,405</u>
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**ENDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2006	2005
	R	R
29 LOAN REDEMPTION FUND		
Outstanding advances to borrowing services		
Accumulated fund	110,388	110,181
Less : Investments	(109,409)	(108,957)
(See appendix B for more detail)	<u>879</u>	<u>1,224</u>
30 PUBLIC IMPROVEMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	11,494,746	10,910,931
Temporary borrowings	(2,737,124)	(2,258,945)
Less : Investments	(858,573)	(658,573)
Land and development expenses	(6,756,780)	(6,702,780)
Debtors	(1,435,074)	(1,258,361)
(See appendix B for more detail)	<u>(92,806)</u>	<u>32,272</u>
31 PARTICULARS OF LOSSES OR ANY MATERIAL, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE, UNAUTHORISED EXPENDITURE AND IF RECOVERABLE	101,088	NIL
32 PARTICULARS OF NON-COMPLIANCE	NIL	NIL
33 CONTRACTUAL OBLIGATIONS		
Housing Development at Hlomendlini	<u>0</u>	<u>160,000</u>

6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

APPENDIX A

STATUTORY FUNDS, TRUST FUNDS AND PROVISIONS

	Balance at 1/07/06	Contributions during the year	Interest on investments	Other income	Capital Expenditure during the year	Operating Expenditure during the year	Balance at 30/06/06
	R	R	R	R		R	R
ACCUMULATED FUNDS							
Capital Development Fund	3,835,694	385,618	80,192			30,096	4,251,406
Loan redemption fund	110,181		207				110,388
Public Improvement Fund	10,910,931	54,000	5,320	527,155		2,660	11,494,746
Housing Fund	0	629,423					629,423
	14,866,806	1,069,041	65,719	527,155	0	32,756	16,485,965
TRUST FUNDS							
Grants and subsidies							
Integrated Development Programme grant	0						0
Provincial grant - Development Planning/Capacity Bldg	399,000	200,000			8,698	185,616	424,686
Provincial grant - Municipal Assistance Programme	411,888	500,000				417,878	484,009
Provincial grant - Interdepartmental Monitoring	80,000						80,000
Provincial grant - Property Rates		144,000					144,000
Provincial grant - MFMA		100,000					100,000
CDW Grant		96,000				42,830	53,170
Sets Grant	131,676					128,809	4,867
Local Economic Development grant	16,688					16,686	(0)
Transitional grant	3,873				2,970	1,003	(0)
Web Site Grant	0	40,000					40,000
National grant - Finance Management grant	690,613				148,780	156,650	385,173
Municipal Systems Infrastructure grant /PMS	243,770	50,000				271,436	22,334
Agricultural grant	133,324					65,858	67,466
Provincial grant - Geographical Information Systems	180,774	100,000				116,529	164,245
Provincial grant - Library	2,300				1,920	380	(0)
National grant - Land Use Management System	220,200					74,451	145,749
Indigent Support	38,691					38,691	0
Municipal Infrastructure Grant (MIG)- Ilembe	390,000					7,961	382,039
Housing Projects	0	200,000					200,000
	2,922,896	1,430,000	0	0	162,378	1,862,779	2,667,738
PROVISIONS							
Leave pay	646,744	1,001,376				388,239	1,259,881
Doubtful debts	12,985,964	7,746,080					20,732,064
Inventory	0						0
	13,632,727	8,747,456				388,239	21,991,945
	31,412,428	11,246,497	65,719	527,155	162,378	1,923,774	41,185,648

6NDONDAKUSUKA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

	Loan Number	Interest Rate %	Date issued	Date redeemable	Balance at 01/07/2005 R	New loans R	Redeemed during the year R	Balance at 30/06/2006 R
<u>EXTERNAL LOANS</u>								
<u>Annuity Loan</u>								
Development Bank of SA	1	15.82	30/06/1989	30/06/2009	717,651		140,708	576,943
Development Bank of SA	2	15.82	31/12/1990	31/12/2010	343,184		43,059	300,105
Development Bank of SA	3	15.82	31/12/1991	31/12/2011	462,823		45,021	417,802
Development Bank of SA	4	15.82	31/12/1991	31/12/2011	145,458		14,149	131,309
Development Bank of SA	5	15.82	31/12/1993	31/12/2013	170,454		11,775	158,679
Umsakeli		12.00	01/10/2002	30/09/2005	1,562,500		1,250,000	312,500
					3,402,050	0	1,504,712	1,897,338
<u>Fixed term loans</u>								
INCA		17.50	30/06/2002	25/03/2009	5,700,000			5,700,000
					5,700,000	0	0	5,700,000
TOTAL EXTERNAL LOANS					9,102,050	0	1,504,712	7,597,338
<u>INTERNAL ADVANCES TO BORROWING SERVICES</u>								
<u>Internal Loans</u>								
Consolidated Capital Development Fund					601,920		135,829	466,091
Loan Redemption Fund					1,224	0	245	979
Public Improvement Fund					32,272	0	8,587	23,685
					635,416	0	144,661	490,755
<u>Temporary Borrowings</u>								
Consolidated Capital Development Fund					1,855,289	0	961,560	893,729
Public Improvement Fund					2,737,124		1,383,709	1,353,415
					4,592,413	0	2,345,269	2,247,144
					5,227,829	0	2,489,830	2,737,899

ENDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

APPENDIX C

ANALYSIS OF FIXED ASSETS

2005 Acquisitions		Budget acquisitions	Opening balance at 01/07/2005	Acquisitions	Disposals	Balance at 30/06/2006
R		R	R	R	R	R
RATE AND GENERAL SERVICES						
830,798	Community services	5,011,300	27,306,452	1,243,508	(1,358,121)	27,191,839
483,573	Management services	313,300	3,474,113	225,725	(388,033)	3,313,805
209,988	Municipal Buildings		9,870,195	949,312		10,819,507
64,340	Protection services	214,000	189,696	23,859		193,555
53,403	Public works	1,637,000	3,861,888	44,612	(972,088)	2,934,412
19,494	Roads and sidewalks	2,847,000	9,930,560			9,930,560
6,673	Subsidised Services	1,811,500	35,761	87,073	0	122,834
	Health services	1,700,000	0	5,643		5,643
6,673	Library	111,500	6,673	81,430		88,103
	Public swimming pool		29,088			29,088
0	Economic Services		0	0	0	0
	Solid Waste & Parks	74,000	0			0
837,471		6,822,800	27,342,213	1,330,681	(1,358,121)	27,314,673
TRADING SERVICES						
	Electricity	299,200	3,693,500	130,900	0	3,824,400
		299,200	3,693,500	130,900		3,824,400
0		299,200	3,693,500	130,900	0	3,824,400
PUBLIC IMPROVEMENT FUND						
0	Other	0	6,702,780	54,000	0	6,756,780
		0	6,702,780	54,000		6,756,780
0		0	6,702,780	54,000	0	6,756,780
837,471	TOTAL FIXED ASSETS	7,122,000	37,738,493	1,515,481	(1,358,121)	37,895,853
LOANS REDEEMED AND OTHER CAPITAL RECEIPTS						
	Loans redeemed		(10,970,240)	48,828	(1,849,373)	(12,572,785)
	Contributions from current income		(1,105,281)	1,538,750	(1,088,032)	(652,543)
	Insurance claims		(118,546)		(26,969)	(145,515)
	Surplus on sale of assets		(111,443)			(111,443)
	Grants and subsidies received		(11,023,960)	51,328	(627,265)	(11,599,917)
	Public contributions		(2,299,087)			(2,299,087)
	Contributions ex head office		(80,861)			(80,861)
	Contributions ex beach facilities		(86,631)			(86,631)
	Road reserve fund		(11,834)			(11,834)
0	TOTAL LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	0	(25,807,883)	1,638,906	(3,389,639)	(27,660,616)
837,471	NET FIXED ASSETS		11,930,610	3,182,387	(4,747,760)	10,335,237

6NDONDAKUSUKA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2006 Actual		2006 Actual	2006 Budget
R		R	R
INCOME			
19,484,787	Government grants and subsidies	20,517,442	20,705,789
15,674,827	Equitable share	17,995,500	17,996,000
0	Transition Fund (LGTF)	0	0
0	Local Economic Development	0	0
819,550	Grants - other	171,326	
2,990,410	Provincial grants	2,350,616	2,709,789
24,046,207	Operating Income	24,649,830	24,940,130
12,235,592	Assessment rates	13,157,081	13,093,730
4,613,429	Sale of electricity	3,994,172	4,473,000
0	Sale of water	0	0
7,197,186	Other services	7,498,578	7,373,400
526,847	Interest Earned	589,053	157,710
173,717	Other income	485,904	1,872,000
44,231,558	TOTAL INCOME	48,242,229	47,675,629
OPERATING EXPENDITURE			
15,729,028	Salaries and allowances	17,482,186	15,826,875
15,604,320	General expenses	16,237,297	20,106,566
1,348,198	Repairs and maintenance	1,514,099	1,382,930
4,162,797	Capital charges	3,113,171	3,130,950
150,676	Contributions to fixed assets	874,138	6,297,783
2,851,348	Contribution to working capital reserve & CDFs	2,388,546	1,464,260
39,846,367	TOTAL OPERATING EXPENDITURE	41,609,438	48,209,364
4,385,192	NET SURPLUS/(DEFICIT)	4,632,792	(533,735)

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

APPENDIX E

OPERATING ACCOUNT: DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2005 Actual Income	2005 Actual expenditure	2005 Actual Surplus/ (deficit)		2006 Actual Income	2006 Actual expenditure	2006 Actual Surplus/ (deficit)	2006 Budget Surplus/ (deficit)
R	R	R		R	R	R	R
38,388,339	35,189,022	3,219,317	RATE AND GENERAL SERVICES	40,382,274	36,803,878	3,588,399	1,395,589
32,714,688	24,893,422	7,821,265	<u>Community services</u>	34,926,648	27,857,988	7,068,661	8,112,619
1,559,000	7,166,003	(5,607,003)	Council's general expenses	559,874	7,704,914	(7,145,039)	(5,924,820)
777,324	1,757,282	(979,958)	Administration	788,213	3,332,868	(2,544,655)	(3,374,851)
16,805,002	5,186,225	11,618,777	Finance	18,327,920	4,728,558	13,599,363	26,700,550
12,235,692			Assessment Rates	13,157,081		13,157,081	
702,781	1,635,039	(932,258)	Local Economic Development	1,200,000	649,452	550,548	(253,250)
525,790	2,641,525	(2,115,735)	Social Services	205,024	2,302,884	(2,097,860)	(2,468,380)
0	2,474,502	(2,474,502)	Community Development	96,000	408,780	(312,780)	(360,280)
109,198	1,289,080	(1,179,883)	Safety & Security	423,717	3,182,555	(2,758,838)	(2,727,590)
0	2,743,786	(2,743,786)	Roads	0	1,975,147	(1,975,147)	(2,088,020)
			Buildings	170,819	1,777,956	(1,607,137)	(1,636,740)
			Municipal Maintenance	0	1,815,097	(1,815,097)	(1,754,200)
1,051,834	2,761,949	(1,710,115)	<u>Subsidised services</u>	879,821	2,427,542	(1,547,721)	(1,835,010)
229,080	717,353	(488,273)	Public Library	21,364	683,242	(661,878)	(811,530)
801,450	1,865,261	(863,811)	Health Services	848,926	1,350,148	(501,221)	(571,090)
21,104	379,334	(358,230)	Public Swimming Pool	11,332	394,154	(382,822)	(452,390)
4,822,018	7,513,652	(2,691,634)	<u>Economic services</u>	4,556,005	6,518,346	(1,962,341)	(2,882,040)
4,822,018	7,513,652	(2,691,634)	Refuse removal	4,556,005	6,518,346	(1,962,341)	(2,882,040)
0	0	0	<u>HOUSING</u>	429,984	7,232	422,732	0
0	0	0	Housing	429,984	7,232	422,732	0
5,843,220	4,877,346	1,165,875	TRADING SERVICES	5,449,981	4,798,330	651,651	(724,850)
5,843,220	4,877,346	1,165,875	Electricity	5,449,981	4,798,330	651,651	(724,850)
44,231,559	39,846,367	4,385,191	TOTAL FOR THE YEAR	46,242,229	41,809,438	4,432,792	670,718
	120,199		Appropriations for the year			(2,765,813)	
	4,506,390		Net surplus/(deficit) for the year			1,666,979	
	3,870,398		Accumulated surplus/ (deficit) at beginning of the year	16		8,375,788	
	8,376,788		Accumulated surplus/ (deficit) at end of the year	16		10,242,766	

6NDONDAKUSUKA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

APPENDIX F

STATISTICAL INFORMATION

		2006	2005
GENERAL STATISTICS			
Population		128,868	128,868
Registered Voters		56,162	56,162
Area (km ²)			
Total Valuations:	Taxable	67,888,900	67,048,400
	Non-Taxable	6,047,900	6,523,900
	Residential		
	Commercial		
Valuation date:	01 July 2004		
Number of properties:	Residential		
	Commercial		
Assessment rate:	Basic (per Rand)	20,235	0,19c
	Rebate : residential	5%	5%
Number of employees		170	159
Number of Councillors		32	30
ELECTRICITY STATISTICS			
Electricity is supplied by ESKOM in all areas other than Mandeni town			
Bulk electricity supplied by Eskom			
Kwh purchased	per month	979,955	977,466
Kwh sold	per month	952,088	
Kwh lost in distribution		27,869	
Percentage lost in distribution			
Cost per Kwh sold		1,085c/kwh	
Income per Kwh sold		3,047c/kwh	
Free basic electricity commenced by Eskom during 2004/2005			
No of households receiving free basic electricity		735	661
REFUSE REMOVAL			
Domestic/business Refuse removed		9480m ³	9812m ³
No of loads removed per annum		0	0
No of domestic properties serviced		0	0
No of commercial properties serviced		0	0
No of domestic properties receiving rebate			
Service contracted out, including disposal			
Garden Refuse Removed		1350m ³	1500m ³
BUILDING PLANS PASSED			
Mandini	36	R 7,360,600	0
Sundumbili	22	R 2,613,540	R 1,406,000
Tugela/Newark	5	R 800,000	R 585,000
Tugela Mouth	5	R 630,400	R 0
Minor Works		Incl in above	R 124,200
OTHER			
Kms Verges cut		3132876m ³	256 km
Including Open Spaces, Sportsfields and Municipal Gardens			